

Principality

House Price Index

Wales

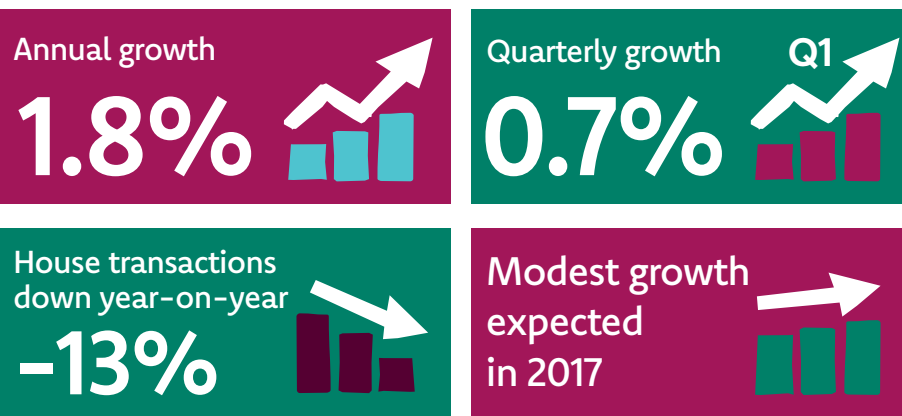
Q1 2017

Data provided by **aca**data

The average house price in Wales is **£174,319**

#WalesHPI

Average house prices in Wales continue upward trend



The average house price in Wales has reached a new high of £174,319 during the first quarter of the year. However, the annual rate of growth is the lowest seen since September 2013, but has been distorted by the exceptional three-month period, Jan - Mar 2016, when house prices across the country were climbing

ahead of the introduction of the 3% surcharge in stamp duty on second homes and buy-to-let properties. Consequently, prices were higher than one would otherwise have anticipated in Q1 2016, which has led to a smaller than expected percentage increase in prices one year on.

Current Market

Average house prices in Wales have been slowly climbing over the last four years and now stand 2.5% above the levels seen in the second half of 2007, when average prices peaked at £170,142 in October of that year. The upward movement in prices over the last four years has been assisted by the low rates of interest prevailing over the period, with the official Bank of England base rate having been reduced to 0.5% on 5th March 2009, with a further reduction on 4th August 2016 to the current historic low of 0.25%.

At the same time, there has been an increase in the employment rate, a key metric in terms of housing demand, with the rate rising from 67% in 2009 to 73.3% in January 2017.

(Source: ONS Labour Market Statistics: March 2017).

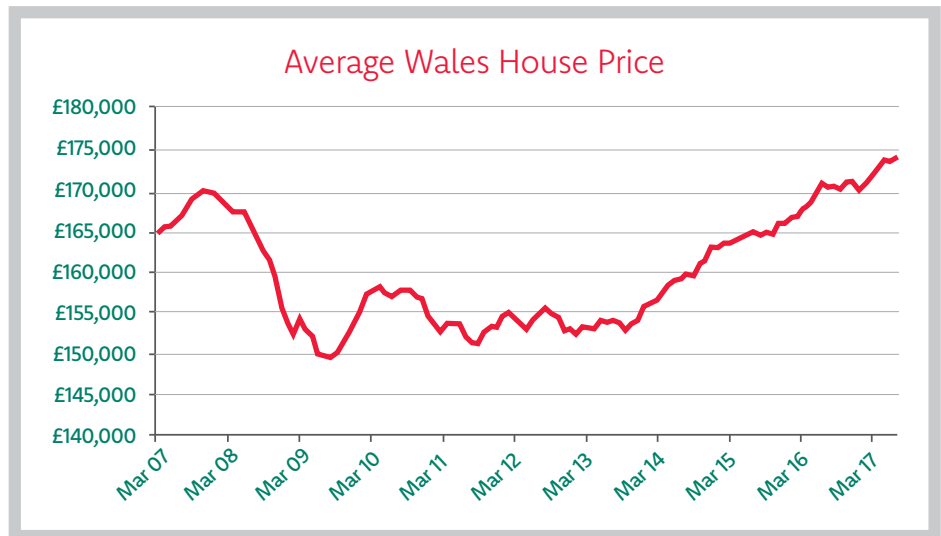
Tom Denman, Interim Finance Director at Principality Building Society, said: "While the average house price in Wales has steadily climbed to reach a new high, there are signs that the market is cooling slightly. While higher employment, consumer confidence and low interest rates have helped to keep the market demand steady, a rise in the cost of living could result in house prices growing at a more modest rate during the rest of the year."

Market trends

The quarterly rate of a 0.7% increase in house prices gives a more informed picture of the current housing market, since it is not influenced by the increases in stamp duty that came into effect in April 2016. This quarterly rate reflects a slowing of the growth in house prices over the winter months from January to March 2017.

Five areas have seen average prices fall over the last twelve months, but caution needs to be exercised in interpreting these annual figures, due to the increased demand in Q1 2016 as referenced on page 1. For example the reported fall in prices for Cardiff, at -2.9%, is more a reflection of the exceptional increase in prices that took place last year – during Q1 2016 prices in Cardiff rose by 6.5% – as opposed to a reduction in demand for homes in 2017.

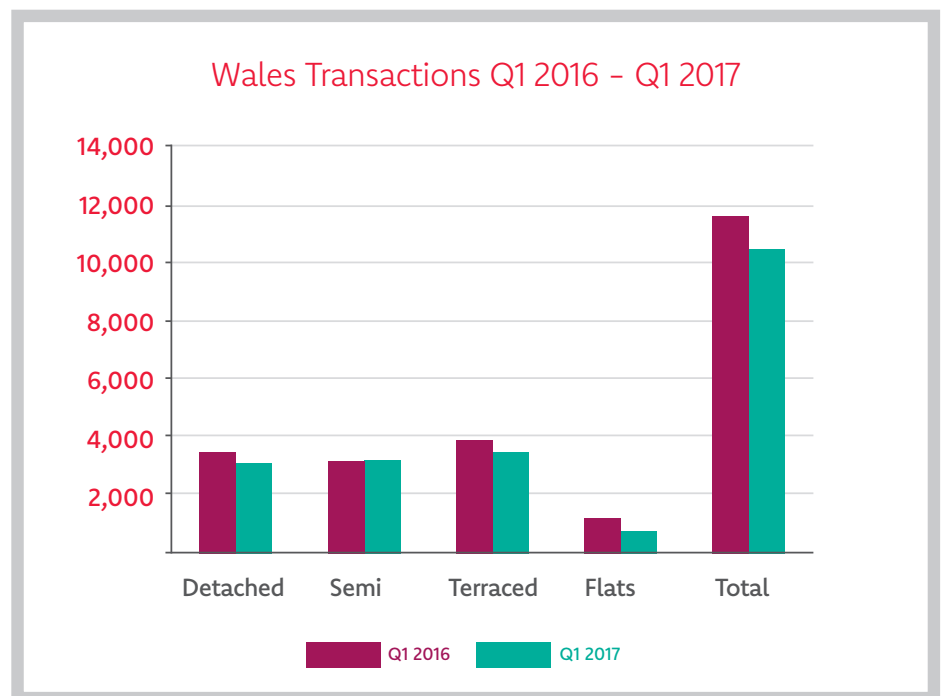
An indicator of the current market conditions in the five areas listed is the latest quarterly rates, which show that in four of the five areas concerned, prices are rising at rates between +1.0% and +1.7%. It is suggested that these figures give a better indication of the underlying trends in house price growth at the end of March.



Housing sales

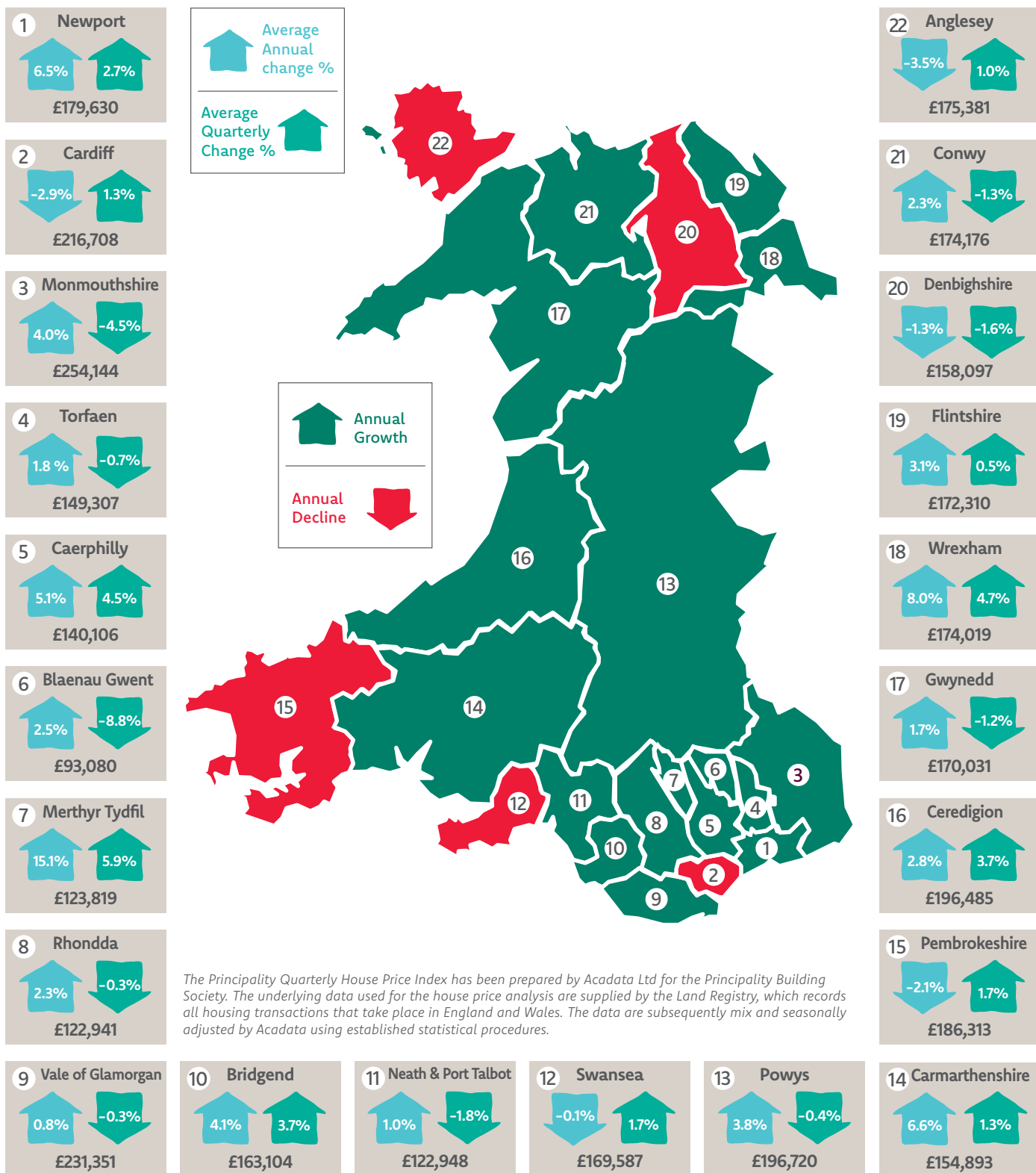
This chart compares the number of housing sales in Wales, in the three months to March 2017, with the same three months one year earlier. Overall, the chart indicates a decrease of 13% in transactions between Q1 2016 and Q1 2017. The main reason for this is the spike in transactions which occurred in March 2016, came prior to the tax surcharge in April 2016 as referenced on page 1.

With the exception of semi-detached houses which have seen a small increase, all property types have witnessed a fall in sales, with sales of detached and terraced properties falling by approximately 10% in Q1 2017 when compared to Q1 2016. This could possibly be as a result of buy-to-let landlords and purchasers of second homes both being very active during March 2016. This is also reflected in the 18.5% fall in the sale of flats during Q1 2017 compared to the previous year – again flats are a popular choice for buy-to-let landlords.



The Principality House Price Index for Wales is prepared from dataset provided by Acadata using its methodology. It is published as a secondary source of economic information, but is not intended to be relied on for any commercial or personal decisions and no responsibility is assumed by Principality or Acadata if it is used contrary to that intention.

Average annual and quarterly change by local authority



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